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EASTERN EUROPE


2. Political changes believed imminent in Hungary:

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The American legation in Budapest reports: "All observers are agreed that something is brewing in Hungary and that we probably won't have long to wait to find out what it is." Many and varied rumors are circulating in Budapest, most of them concerning the future of Party First Secretary Rakosi.

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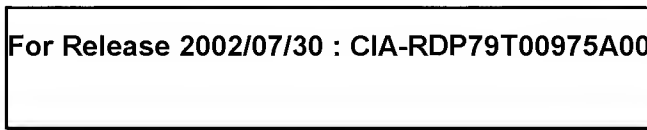
According to the legation, Hungarian premier Hegedus was in Moscow on 17 June, less than a week after Rakosi and Hegedus had talked with Khrushchev in Bucharest, and Soviet ambassador Andropov left Budapest for Moscow on 13 June. 

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Comment: The presence in Moscow of Premier Hegedus and the Soviet ambassador to Budapest suggests that the USSR may be planning to reduce Rakosi's role in public affairs. He may, however, continue to exert influence from behind the scenes.

It is possible that greater public responsibility will be delegated to younger, locally trained Communists, such as Premier Hegedus and Vice Premier Hidas, who are not specifically associated with either the Nagy or Rakosi cliques. Such leaders would probably be better able to gain support for the regime's program from the party rank and file, who are apathetic because of the numerous changes of policy during recent months.

WESTERN EUROPE

3. Further delay seen in Italian ratification of NATO Status of Forces Agreement:

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Foreign Minister Martino doubts that the Italian parliament will ratify the NATO Status of Forces Agreement before the summer recess. He told American chargé Durbrow on 18 June he expects a foreign policy debate of perhaps two weeks' duration in the Chamber of Deputies following the current cabinet reshuffle.

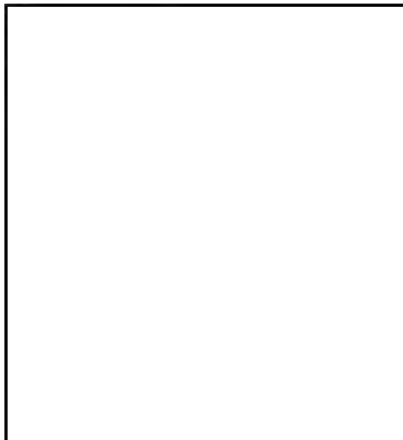
The Communists, according to Martino, have made it clear that they will do all they can to filibuster against the Status of Forces Agreement. When told by Durbrow that no American troops could be deployed to Italy before ratification of the agreement, Martino argued that troop deployment prior to ratification would cut the ground out from under the Communists.

Comment: The NATO Status of Forces Agreement, which defines the legal position of foreign troops in a NATO country, passed the Italian Senate on 4 February. The imminence of American troop withdrawal from Austria has made passage of the agreement more urgent, but the government has continued to delay a vote in the Chamber of Deputies.

This delay apparently stems not from opposition to the terms of the agreement but from hopes of winning certain concessions. The Italians desire, among other things, to assure continued operation of the base at Leghorn, now used mainly to supply American troops in Austria.

LATIN AMERICA

4. Comment on the Argentine situation:



Minister of the Army Lucero seems at present to be the key figure in Argentina. Lucero continues to issue orders in "the president's" name, however, thus contradicting, for the time being at least, rumors that he has replaced Peron. The army claims control of the entire country, but some rebel forces may still be holding out at the major naval base of Puerto Belgrano in southern Argentina.

There is still no conclusive information on the whereabouts of the rebel fleet which has been variously reported as en route to Puerto Belgrano and as near Buenos Aires, threatening to bombard the capital if Peron does not resign. There are indications that negotiations for peace terms are under way between the fleet and the joint military command under Lucero.

The joint military command issued a communiqué on 20 June stating that the only units which took part in the 16 June revolt were the marines and naval aviators. This was the first official disclaimer that any units of Argentina's sea or river fleet had participated in the uprising, and was probably designed to facilitate peace talks. Earlier communiqués had also pointedly omitted mention of any participation by the air force.

Lucero [redacted] [redacted] exacted two promises from Peron as the price for remaining loyal during the 16 June revolt. One was to dismiss

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Minister of Interior and Justice Borlenghi, who is a bitter enemy of Lucero and is considered to be a main instigator of the church-state conflict; the other was to curtail the activities of the pro-Peron General Confederation of Labor and the Nationalist Alliance.

Additional demands of Lucero, as reported by the press, include a constitutional amendment forbidding a president's re-election, a plebiscite on the separation of church and state, and the suppression of the government's propaganda department to give the press and radio complete freedom.

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